

## **SECTION III**

### **GENERAL INVENTORY MANAGEMENT REQUIREMENTS**

#### **.01 DELEGATION OF PROPERTY MANAGEMENT RESPONSIBILITIES**

To ensure effective management of the personal State property, control responsibilities shall be delegated to "Property Officers". Each Department or Agency shall be required to designate an individual, with an alternate to become trained and certified as a Property Officer. Both will serve as liaisons to the Department of General Services (DGS), Inventory Standards and Support Services Division (ISSSD). The respective Agency/ Departmental Property Officer must be a supervisory level employee and report to an individual no lower in the organization than an Assistant Secretary, or a comparable position who will have the ultimate responsibility for the Department's inventory. Custodial responsibilities shall be delegated to "Accountable Officers". The manner in which these responsibilities are delegated will depend upon agency size. Larger agencies may have an "Agency" Property Officer at the headquarters level with subsidiary Property Officers and Accountable Officers at each subordinate location. In smaller agencies, one person, with other primary responsibilities may serve as both Property and Accountable Officer. The Department of General Services will provide annual mandatory training and certification for Property Officers.

The Department of General Services will coordinate and conduct regular Property Officer meetings (User Group Meetings).

##### **A. Duties of Property Officers**

1. Initiate and implement internal inventory control procedures and make recommendations for improvements. Procedures shall be written and disseminated to all concerned. A copy of the procedures shall be kept on file for reference and audit purposes.
2. Coordinate and initiate action to take physical inventories of personal State property.
3. Maintain inventory records for fixed assets.
4. Receive and review Excess Property Declarations (Section VI; Forms DGS-950-9 and DGS-950-10) from Accountable Officers:
  - a. to determine if the excess property is no longer needed in the agency or parent department.
  - b. to verify the accuracy of the declaration and ensure that proper agency approvals are obtained.
  - c. forward approved declarations to DGS when property is no longer required by the agency or parent department.
5. Report missing and stolen property in accordance with Section V.

6. Reconcile physical inventories to inventory records.  
Reconcile inventory records to control accounts.
7. Ensure accurate inventories by test counting a reasonable number of items.
8. Verify the reconciliation of individual inventory records with physical counts by selecting a reasonable number of records and comparing them with the physical inventory.
9. Certify in writing, the completeness and accuracy of the agency's physical inventories.
10. Attend mandatory Department of General Services, Property Officers Certification Training annually.
11. Each Department or Agency shall produce one Department-wide Inventory Report. Annual Inventory Reports shall be itemized to include the property descriptions along with their values.

**B. Duties of Accountable Officers**

1. Assume custody of all personal State property under their jurisdiction.
2. Know the whereabouts at all times of all personal State property under their jurisdiction.
3. Conduct physical inventories of personal State property under their jurisdiction as required, and certify in writing, the accuracy of the physical inventory.
4. Sign all requisitions and receipts for incoming personal property.
5. Ensure that equipment is properly marked and identified.
6. Instruct employees they are personally responsible for the use and care of State property in their custody or under their control and for reporting losses promptly.
7. Require personnel to sign a receipt for property assigned to them for the conduct of official business outside the program or agency.
8. Report missing, stolen and damaged property to the Property Officer immediately upon discovery of loss or damage.
9. Report excess property to the Property Officer immediately when the property is no longer needed.

**C. Qualifications of the Accountable Officer**

Accountable Officers shall be supervisory or administrative employees with sufficient authority to direct the care and utilization of personal property assigned to them.

## **.02 EXCESS AND SURPLUS PROPERTY DISPOSAL**

- A. The disposal of land, land improvements and buildings is governed by regulations promulgated by the State Clearinghouse for Intergovernmental Assistance, Office of Planning.
- B. Capital Equipment
  - 1. Disposal by inter-agency transfer, selling, scrapping, junking or donation shall be conducted in accordance with the procedures in Section IV.
  - 2. Transfers within the same department or independent agency are not subject to procedures in Section IV and need not be reported to DGS.
- C. Non-Capital Equipment, Materials and Supplies
  - 1. The disposition of serviceable items outside the department or independent agency shall be conducted in accordance with the procedures in Section IV.
  - 2. The disposition of unserviceable items that are worn or damaged beyond economical repair is an agency responsibility and should not be reported to DGS.

## **.03 CAPITAL EQUIPMENT BEING LEASED; OBTAINED THROUGH GRANTS, LOANS AND DONATIONS; WITHOUT ORIGINAL COST INFORMATION; OR ACQUIRED FROM THE "MARYLAND STATE AGENCY FOR SURPLUS PROPERTY".**

- A. An item that is being leased shall be recorded and controlled in the same manner as other purchased items if:
  - 1. Terms of the lease transfer ownership of property to an agency by the end of the lease period; or
  - 2. The lease contains an option allowing an agency to purchase leased property for a nominal sum or price substantially less than fair market value at the time the option becomes exercisable.

Equipment under a lease/purchase agreement shall be recorded at full cost when it is received. The recorded inventory value shall be the cost of the equipment only and shall not include service, maintenance, or interest charges.
- B. Items acquired through Federal grants shall be recorded and considered property of the State. Under current Federal regulations:
  - 1. Title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.
  - 2. A State will use, manage and dispose of equipment acquired under a grant in accordance with State laws and procedures.

- C. Donated equipment becomes property of the State and shall be recorded immediately upon acquisition. The value of donated items shall be established at the time of acceptance. All donations, except those purchased by organizations such as hospital auxiliaries organized expressly for the purpose of donating items, shall be approved by the Department of Budget and Management prior to acceptance.
- D. Property on loan to the State shall be recorded and managed as though it were State property for the duration of the loan. Property labeling is optional, however, ownership of the item must be readily ascertainable through appropriate documentation.
- E. Property acquired from another agency to satisfy a short term or emergency need should not be recorded as agency property.
- F. Items now on hand without original cost information and such property acquired in the future shall be given an appraised value (i.e. estimated cost) and recorded for inventory purposes.
- G. Items acquired from the "Maryland State Agency for Surplus Property" (MSASP) shall be recorded in the same manner as other purchased items and shall be considered State property. The actual amount paid by the receiving agency to MSASP is the item's acquisition cost.

#### **.04 INTERNAL CONTROLS**

##### **A. Warehouse, Storerooms, and Office Areas**

To protect against theft and unauthorized usage of property:

- 1. Access to warehouses and storerooms should be controlled and limited to assigned personnel only.
- 2. Unauthorized persons should be denied access to storage areas.
- 3. Warehouses, storerooms and office areas should be locked during non-working hours and during working hours when unattended.
- 4. Keys to storage areas should be restricted to personnel responsible for these areas.

##### **B. Good Housekeeping Practices**

Good housekeeping practices should be followed at all times.

- 1. Materials and supplies should be stored in an orderly fashion to facilitate accurate commodity identification and counting.
- 2. Storage areas must be kept neat, safe and clean to protect inventories against losses from damage and deterioration.

C. Segregating the Functions of Storekeeping, Record Keeping and Inventory Taking

The duties of inventory record keeping, inventory custody and physical inventory taking shall be segregated whenever practical or economically feasible. This internal control measure provides reasonable, but not absolute, assurance that assets are protected against loss from unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of an internal control procedure should not exceed the benefit derived, and also recognizes that evaluation of these factors necessarily requires estimates and judgements by management.

Whenever it is not practical or economically feasible to segregate these duties, inventories and inventory procedures should be audited periodically by personnel not directly assigned to the storekeeping or record keeping functions to assure that physical stock balances agree with record balances and transaction quantities in the records agree with quantities on source documents (i.e. withdrawal tickets, receiving documents and adjustment vouchers). Periodically, a reasonable number of items and transactions should be randomly selected and audited. Audit results should be maintained until the next Legislative Audit has been completed and as prescribed by the agency's record retention schedule.

**.05 PROCEDURE FOR RECEIVING PROPERTY**

Each agency shall implement a procedure to ensure that property obtained by purchase, transfer, or donation is received in the following manner:

A. A central location for receiving materials, supplies and equipment shall be established, and personnel shall be assigned to receive incoming merchandise as a primary or secondary responsibility.

B. Verification of the Bill of Lading or Delivery

Freight carriers are responsible for the number of shipping containers (or weight) specified in the bill of lading or delivery ticket. Truckers will not wait for the contents of containers to be inspected for concealed damage. Therefore, personnel assigned to receive incoming merchandise shall:

1. Verify that the total number of shipping containers or the gross weight of the shipment agrees with the amount on the bill of lading or vendor's delivery ticket.
2. Visually inspect the outside of shipping containers or unpacked items for apparent shipping damage.
3. Any exception for weights, counts or apparent damage shall be brought to the attention of the person making the delivery, and shall be noted on the bill of lading or delivery ticket.

Failure to note an exception for a shortage or apparent shipping damage obligates the State for property described in the shipping document, and can forfeit the right to recover missing or damaged property losses from the freight company and the vendor.

C. Verification of Merchandise with the Purchase Order

1. Inspection of merchandise may be performed in the central receiving location or it may take place at a location in the requisitioner's area by personnel in the requisitioner's program assigned to receive property.
2. Copies of purchase orders, or written instructions to accept transferred or donated property, shall be maintained by personnel assigned to receive merchandise. If a copy of an open purchase order, or other written receiving instruction is not on file, receiving personnel should notify the agency buyer or program requisitioner of the delivery, and hold the merchandise until a copy is made available.
3. Within one working day after the merchandise has been received:
  - a. at least one shipping container of each different item shall be opened and visually checked for quantity, quality, and condition. (Several shall be opened for truck load shipments of the same item.)
  - b. The entire shipment shall be counted or weighed in the same units of measure specified in the purchase order.
  - c. For audit purposes, computations for arriving at counts or weights for each item must be clearly written on the receiving document.
4. The buyer shall be notified as soon as possible if:
  - a. The quantity weighed or counted for each item is not the same as the quantity on the packing slip or purchase order or
  - b. The number of units inside opened containers does not agree with the number appearing on the outside of the container and on the packing list; or
  - c. The appearance, packing, labeling or other means of identifying items does not agree with the identification or specifications in the purchase order; or
  - d. The condition of any part of the shipment is unsatisfactory.
5. Receiving personnel shall prepare a receiving document for each shipment, listing the purchase order number, vendor, quantity counted, name, unit of measure and commodity number, if applicable, for each item received.
6. All documents covering received merchandise shall be forwarded within two working days to appropriate agency personnel responsible for:
  - a. Approving and/or processing invoices for payment; and
  - b. Keeping inventory records.